

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-101
March 5, 2002

PUBLIC UTILITIES COMMISSION
Investigation of Complaints Regarding
Northern Utilities, Inc.'s Billing Practices

NOTICE OF INVESTIGATION

Welch, Chairman; Nugent and Diamond, Commissioners

I. SUMMARY

We initiate an investigation into Northern Utilities, Inc.'s (Northern) billing practices that have resulted in several customer complaints filed with our Consumer Assistance Division (CAD) regarding the issuance of large back bills resulting from continual usage estimation. In this proceeding, we will review the circumstances surrounding the complaints and determine the appropriateness of the back bills.

II. BACKGROUND and DISCUSSION

The Commission's Consumer Assistance Division (CAD) has recently received numerous customer complaints regarding a billing system practice employed by Northern that has resulted in the issuance of make-up bills for previously unbilled service, ranging from \$189.57 to \$ 2,521.46 for residential accounts and from \$1,150 to \$32,040 for commercial accounts. The period of time in which Northern used estimated, rather than actual, usage information in its billings ranged from eight to 26 months for the residential accounts at issue in the filed complaints and from 12 to 29 months for the commercial accounts. Prior to receiving the back bills, complainants were unaware that they were accruing obligations to Northern for unbilled service. One issue raised by these complaints is whether meters are read with sufficient frequency. Additionally, it is possible that during this period actual meter readings taken by the Company or provided by the customers may not have been used, allowing the progression of estimated bills issued by the Company to continue.

In the summer of 2000, similar estimated billing issues arose. In response to those problems, initially attributed to Northern's new customer information system (CIS) software, the Director of the CAD worked closely with Northern to resolve the system's inclination to reject actual meter readings in calculating customers' bills when the actual usage readings diverged substantially from the program's calculation of estimated usage. In July 2001, we decided not to open an investigation on the subject of billing accuracy, along with other customer service matters, because it appeared that those problems had been largely resolved. See *Northern Utilities, Inc., Request for Approval of Reorganization (Merger and Related Transactions)*, Docket No. 2000-322, Order (July 3, 2001). Furthermore, to the extent service problems existed, we opted to continue to try

to resolve them through the Director of CAD on the premise that it was a reasonably fruitful way to address issues that Northern argued were, for the most part, transitional. *Id.* at 4.

The present complaints appear to involve the same CIS software propensity to reject actual meter readings, resulting in prolonged periods during which customers are billed according to the Company's estimated, rather than actual, usage levels, and large make-up billings. It is clear that the Company has not resolved this matter, despite the substantial period of time that has passed and the efforts of our CAD Director to resolve the matter informally. Consequently, we open an investigation to review Northern's billing practices that have led to this problem. Because the complaints all involve the same billing system practice and generally similar facts, we open this investigation to consider and resolve them together.

In this investigation, we will consider how the provisions of Chapter 810(3) of the Commission rules, regarding estimated and actual meter reading requirements and allowable utility billing error recoveries, relate to this circumstance. We may consider whether Northern should be required to change its billing system or take other action necessary to reduce or eliminate the instances of prolonged estimated billing.¹ Finally, we will determine whether Northern should be allowed to recover the previously unbilled amounts when its system has rejected actual usage information in calculating customer bills.

In the meantime, given the controversy surrounding this issue (confirmed by the numerous complaints we have received recently) and the need to review Northern's practices, we direct Northern not to pursue collection of any of the make-up billing amounts while this investigation is pending. We will inform persons who have filed complaints with the CAD by copying them with this Notice. We will also inform persons who call the CAD with concerns or complaints related to the make-up billing that they are not obligated to pay the make-up bills, pending our further decision on this matter. In addition, we direct Northern to inform any customers who call it to inquire about or dispute the make-up billings that they are not obligated to make payment on the make-up portion of the bill at this time. Customers should also be informed, however, that they may ultimately be responsible to pay the entire amount or a portion of amount in question.

¹ We will consider whether to initiate a broader review of Northern's level of billing accuracy, meter reading, and other customer service issues in a management audit proceeding in the near future. If we do initiate a management audit, it is possible that certain aspects of our review of the adequacy of Northern's billing practices could be pursued in that proceeding. However, it is our intent to resolve the issues contained in the pending CAD complaints expeditiously.

We begin this proceeding by requesting additional information from Northern, as follows:

1. The number of instances in which Northern issued make-up bills during 2000 and 2001, by class,
 - a. for any reason, and
 - b. due to billing system rejection of actual usage readings.
2. For the instances cited in 1(b) above, assemble a chart, similar to that attached as Exhibit A, that shows, by class, each instance in which Northern issued a make-up bill, the name of the customer, the amounts owed, and the time period over which the make-up amount accrued.
3. The date that Northern's current CIS system was installed and a chronology and description of adjustments that have been made in Northern's software or operations to avoid billing system rejection of actual usage information.
4. The average frequency of meter readings per customer, by class.
5. Were there are any instances in 2000 and 2001 in which, following a meter read where actual usage was less than estimated usage, that a customer's account was not credited?
6. Please provide a chart similar to Attachment A that shows for each instance in which a customer was owed or given a credit, by class, the customer name, the amount of the credit owed or given, the time over which the credit accrued, and whether the credit has or has not been given.
7. Please provide the total make-up amounts billed and outstanding and credits due and outstanding (if any), to date, by class.
8. Does Northern include interest on amounts outstanding for previously unbilled service? If so, please provide the authority under which it does so, an explanation of how interest is calculated when several months of estimated usage accumulate, and the interest rate Northern uses.
9. Was interest included in the make-up bills issued to the complainants listed in Attachment A? If so, please provide a breakdown of the unbilled service amount and the interest.
10. Did Northern take into account seasonal rate changes in calculating the make-up bills issued to the complainants? If so, please show how it did so. If not, please explain what rate was applied to calculate the make-up bill.

Northern's responses to these requests for information are due by or before **March 18, 2002**.

Northern is hereby made a party to this investigation. We invite the intervention of other interested persons.² Persons wishing to intervene in this case to participate in the consideration of these issues should file a petition to intervene in accordance with Chapter 110 of the Commission's rules, with the Commission's Administrative Director, Dennis L. Keschl, at State House Station #18, Augusta, Maine 04333, by **March 18, 2002**. An initial case conference will be held on **March 20, 2002 at 2:00 – 4:00 p.m.** at the Commission's premises at 242 State Street, Augusta, Maine to consider petitions to intervene, to discuss the information provided in this case, and establish a schedule for resolution of this matter.

Interested persons may also request a public hearing on this matter by filing a letter with the Commission's Administrative Director, Dennis L. Keschl, at State House Station #18, Augusta, Maine 04333 by **March 21, 2002**.

BY ORDER OF THE COMMISSION

Raymond J. Robichaud
Assistant Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

² It is not necessary for the persons who have filed complaints with the CAD to also file petitions to intervene to have their complaints resolved.

Attachment A

Listed below are open CAD complaints due to Northern's use of estimated bills for prolonged periods and failure to use actual reads.

Date Complaint Received	Case ID	Res. Or Com	Customer	# Months Bills Were Estimated	\$ Amount Rebilled
11/13/00	9377	Res	Mooney	10	693.84
03/21/01	9828	Com	Atrium at Cedars	18	32,040.45
06/07/01	10149	Res	Baizley	15	564.42
07/03/01	10293	Res	J B Brown & Son (apt.)	14	2,521.46
07/13/01	10378	Res	Urban	18	1,750.08
08/08/01	10629	Com	Martin Properties, Inc.	29	5,053.61
08/15/01	10689	Res	Deschaine	08	189.57
09/14/01	10910	Res	Tompson	26	1,666.83
09/19/01	10951	Res	Roberts	18	800.00
10/29/01	11286	Res	Myers	18	861.16
10/30/01	11310	Res	McMann	14	999.10
11/9/01	11418	Com	Rooster Provision(Grocer)	12	1,150.00
2/25/02	12068	Res	Howard	14	1,200.00

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.